

# ETFs in an evolving world

## Event Summary

It is, without a doubt, a challenging investment landscape. Investors are grappling with a laundry list of powerful developments: war, geopolitical tension, market turmoil, rising interest rates and alarming inflation.

The advisor's need for tools and strategies to help navigate this environment has never been greater. The good news is that, right now, the ETF universe has more options than ever to help.

To explore this further, our most recent event brought together experts to discuss how the ETF space has been evolving in today's market conditions and how investors are using them to address complex portfolio construction needs.

Collectively, this group identified key issues and trends that matter to Canadian advisors right now, including these five takeaways:

**It's an uncertain world.** The macroeconomic and geopolitical environments remain highly volatile. Investment decision making has become challenging and right now, agility, flexibility and efficiency are all required to navigate portfolios toward desired outcomes. Advisors are turning to an unprecedented range of ETF solutions to help address these challenges and generate consistent long-term returns, reduced risk and improved portfolio diversification for their clients.

**ETFs remain resilient.** Against a backdrop of market volatility and investor fear, ETF flows and volumes remain strong and have risen exponentially. They've also proven incredibly resilient in the face of liquidity disruptions, volatility and fearful investor sentiment. In Canada, investors put a record-breaking \$53 billion into ETFs in 2021 alone. It's a trend that isn't going to slow down any time soon: 76% of Canadian IIROC advisors plan to increase their use of ETFs in the next five years.<sup>1</sup>

**Investors are using ETFs in new ways.** Advisors are now turning to ETFs as part of core and tactical investing, as well as for risk management and cash management. A growing spectrum of ETF products also offers investors a great deal of choice when it comes to asset allocation across the entire portfolio, whether it's equities, fixed income, alternatives or other strategies. And their intraday liquidity allows investors to be nimble in today's markets.

**The ETF ecosystem is expanding.** The sheer number of ETF products and options available to advisors is massive. There are now well over 1,000 ETFs in Canada and over 2,000 in the US, which is why it's important to know that not all ETFs are built the same, nor do they perform the same way. Understanding ETF construction and tracking is key both for index products and active strategies. Moreover, bigger isn't always better; underlying exposure is what matters, especially as the ETF universe expands into thematic or geographical markets where investors are just beginning to show interest.



**Canadian ETFs can give advisors an extra edge.** There is more choice than ever in the Canadian ETF market so investors should consider focusing on products domiciled here. These can be more tax efficient and can offer exposure to commodities, a key inflation hedge for investors. Canada has also been one of the best performing countries recently, due to its exposure to oil and gold. In fact, it's one of the reasons Mackenzie has had an "overweight" recommendation for Canadian securities for some time.

*For more great insights from our speakers, watch the full event.*

<sup>1</sup> Source: CETFA Environics Broker ETF Study.



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